Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

JUN 4 1951
U.S. DEPARTMENT OF AGRICULTURE

REPORT OF THE

SECRETARY OF AGRICULTURE

1950

REPORT OF THE

SECRETARY OF AGRICULTURE

1950

Washington, January 2, 1951

To the President:

For American agriculture, 1950 was a year of rapidly changing conditions that emphasized once more the importance of our vast farm productivity to the Nation's stability and security.

It underscored, too, the wisdom and foresight of constructive and progressive national policies strengthening the position of agriculture in our economy, and strengthening its ability to adjust itself rapidly to changing needs of that economy.

Events of 1950 also emphasized the Nation's growing realization of agriculture's vital role in present-day international affairs, and the potential strength and usefulness of America's traditional family farm pattern as a convincing example of successful democracy on the land in answer to communism's false lures in the guise of agrarian reform among the world's rural underprivileged.

During the year just ended, farmers in the United States underwent a transition from the low point of postwar adjustments into the upward economic current of the opening phases of another period approaching wartime economy.

They went into the year with growing concern over possible surpluses of some farm commodities; effective demand was failing to keep abreast of the farmers' ability to produce.

They came out of the year concerned, instead, with producing in sufficient abundance to meet a rising demand.

Fortunately, however, American agriculture generally concluded 1950 with a brighter outlook than when the year started, and in a stronger position to meet defense production requirements than at any other time in our history.

Changing world conditions outside of agriculture were the cause of the changing conditions confronting agriculture.

Outbreak of the war in Korea, and the resultant necessary decision of the world's democracies to embark upon intensified preparedness efforts, marked the turning point in agriculture as in the other interdependent segments of our economy. The increased buying power resulting from speed-up of preparedness mobilization, presaging heavy defense expenditures, high employment levels, and higher consumer incomes, halted and reversed in midyear the downward trends in farm prices and farm income that had justifiably been the subject of grave concern.

As far as the farmers' income for the entire year was concerned, however, the greatly improved demand during the last half of 1950 failed to overcome the simultaneous climb in farm production costs, the decreased acreage in production, and the lower prices that prevailed in the first half of the year. As a result, net realized farm income for the year was still below net income for 1949, making the third consecutive year of decline.

However, conditions at the end of the year indicate not only that the decline will be halted, but that much of the income loss of 1949 and 1950 will be regained by agriculture during 1951.

Highlight of 1950 for agriculture undoubtedly was the greatly improved demand for farm products and the firming-up of farm prices following the Korean outbreak.

But, in long-range significance, there was probably no more important trend than that of increasing international collaboration in agriculture. The first year's operations of the International Wheat Agreement was successfully concluded, the Point IV Program was placed in operation, the Economic Cooperation Administration laid increasing emphasis upon stepping up Western Europe's agricultural production, the United Nations Food and Agriculture Organization focused more attention on rural welfare throughout the world, and increasing emphasis was placed upon the role land tenure reforms can play in the world's present ideological struggle.

Through such international collaboration real progress is being made, not only in facing and acting upon immediate commodity problems but also in using technical agricultural knowledge or "know how" to improve the world's economic security and thereby its political stability.

The year also produced further important contributions from continuing agricultural research, continued emphasis upon conservation of land and water resources, and progress toward improvement of rural living standards. The Nation embarked upon new national programs for rural housing and rural telephones.

There were other developments more directly related to the Korean outbreak:

Efforts were made to tighten legislative control over speculation on the commodity exchanges.

It became necessary to invoke cotton export allocations to protect the United States against the possibility of an acute cotton shortage.

Import quotas were lifted on certain fats and oils for which defense conditions have created a greater demand.

Large quantities of Government-held stocks of cotton, butter, and other commodities were moved into normal trade channels wherever market prices had risen above levels required by law for holding the Government-owned stocks, reducing the investment in price support programs and combating inflationary price trends.

In order to encourage the abundance we need to meet stronger consumer demand and assure adequate reserves of such important staple commodities, it was announced that there would be no marketing quotas or acreage allotments on 1951 crops of cotton, wheat, corn, and rice.

Still Must Look Ahead

American agriculture is keenly aware of its increasing responsibilities during the present preparedness emergency. But it is aware, too, of the necessity for keeping its eyes upon its constructive long-range goals as the best possible assurance of keeping agriculture strong and vigorous through whatever trials may be ahead, and of protecting our productive resources for the years to come. It is therefore determined not only to fully meet the production requirements of our mobilization but to do so within the framework of sound farming practices so as to conserve rather than deplete our present high productive ability, to strengthen and perpetuate rather than weaken and destroy our traditional American pattern of family farming.

Agriculture's record of adequately serving the Nation's best interest in time of acute need is an enviable one. It leaves little doubt but that agriculture will again fulfill any new responsibility thrust upon it -- provided it is given the guidance and assistance to which it is entitled, and which the public's interest calls for.

Ever since the founding of our Nation, farmers of the United States have kept abreast or ahead of the needs for food and fiber for our growing population and expanding economy.

During the depression years, when industry drastically cut back its production because of lessening buying power -- thereby adding to the downward cycle of unemployment and financial hardship -- farmers kept on producing so that food and fiber flowed to the market places in abundance even though prices fell to disastrous levels.

During World War II, when the Nation's demand for farm products rapidly rose to record high levels, agriculture quickly responded with adequate production to fill all of our needs.

During the postwar period, it continued producing in sufficient abundance to enable our country to contribute substantially to the recovery and rehabilitation of war-torn areas of Europe and the Orient and still have ample supplies of food and fiber for our own consumption as well as for safe reserves in storage.

Yet throughout these periods of heavy demand upon agriculture, its productiveness has been continually improved rather than depleted as our knowledge and ability has expanded to keep pace with the needs of our growing and dynamic economy.

As a result, American agriculture is strong and vigorous today at a time when its utmost strength may be needed.

Agriculture's Present Conditions

Farmers of America are in a far better position to respond to the demands of mobilization than they were at the outbreak of World War II.

Our productive power is the greatest in history. We're already geared to produce around 40 percent more than the average for the years just preceding World War II. I am confident American farmers can boost that production a good deal higher, assuming a fair break from the weather and adequate materials for production.

Food and feed supplies on hand or in prospect are generally good.

Wheat supplies for the year beginning July 1, 1950, total 1,450 million bushels, about double our annual domestic requirements. Supplies appear ample for domestic, export, and carry-over requirements. Stocks of old wheat on July 1, 1950, were 423 million bushels compared with 385 million bushels in 1941. Domestic wheat disappearance for the 1950-51 year may total about 740 million bushels. If exports, shipments, and military procurement should be 275 million bushels, as currently estimated, the carry-over next July 1 would be about 435 million bushels, or around 12 million more than the stocks with which we started the year.

Farm stocks of wheat on January 1 were below the 1940-49 average, but slightly larger than a year ago.

With our reserves, the total supply of livestock feed for the coming year will be larger, in bushels and per animal, than when we entered World War II — and larger than the wartime peak in 1944. Supplies of feed grains and other concentrates for the feeding year which began October 1, 1950, amount to 1.06 tons per animal unit compared with .90 tons in 1941 and .91 tons in 1944, the peak during World War II. Stocks of feed grains carried over into the 1950-51 feeding year totaled 31.2 million tons compared with 23 million in 1941.

Stocks of nearly 2,161 million bushels of corn remained on farms January 1, and these are bolstered by the relatively large stocks of other feed grains. While these farm supplies of feed grains are somewhat smaller than on January 1 of the past two years, they are larger than in all but three years of record.

Hay stocks appear ample in most areas. Soybean stocks are larger than on any other January 1, because of the record crop, and despite a larger movement from farms than in any other October-December quarter.

Higher cotton production is necessary in 1951. The cotton situation is radically different from that which existed at the beginning of the second world war in 1941. The carry-over then was 12 million bales, and most of our export markets had been cut off by the war. The carry-over on August 1, 1950, was less than seven million bales and will be down to a minimum working level by next August. The Department has made clear that at least 16 million bales from the 1951 crop are needed to meet urgent demands.

Wool supplies are tight. In 1941, U. S. wool stocks were low but domestic production was close to the all-time record and supplies available in the British Dominions were very large. This year, stocks are again relatively low and domestic production is more than 40 percent below 1941. At present, the United States is competing with other importing countries for supplies from surplus-producing areas. Surplus stocks piled up during World War II have been depleted and world consumption in 1951 will be limited to current production.

Higher meat production is also needed in view of the anticipated increase in demand. There is good prospect for producing about 5 percent more hogs this year than last. The growth in the number of cattle on farms in the last three years will mean increased beef output in 1951. Larger output of livestock products and the need to keep carry-over stocks of feed grains at safe levels will require heavy production of feed, and the Department has announced that a considerable increase in the acreage of corn will be needed in 1951.

Expansion in farm production during the last decade was achieved by using more resources and better farming methods. Farmers have been plowing back into their business the gains of relative prosperity, making farming more highly efficient than ever.

Labor and Supply Problems

Farm output per man-hour reached an all-time high during 1950. It is now about twice what it was 40 years ago, and up 31 percent since 1941.

But the labor situation on farms is much different than at the beginning of World War II. The farm population has declined, and farm employment is about 10 percent below 1941. At that time, there was a large pool of unused and underutilized manpower on farms. Underemployment of farm workers is now relatively low. Labor for peak season jobs will be scarce in many areas, which will necessitate recruitment of out of area domestic or imported workers. With the more complex, mechanized agriculture of today, and with fewer farm workers, it is more important to retain key skilled workers on farms than it was in World War II.

Fortunately, machinery and equipment supplies are reasonably adequate. We have more farm machinery, and more efficient farm machinery, on our farms today than ever before in history. There are more than twice as many tractors and motor trucks on farms now as there were at the time of Pearl Harbor. Numbers of milking machines, corn pickers, and grain combines have more than tripled. Two and a half times as many farmers are in a position to use electricity for saving manpower and increasing production efficiency. Inventory volume of all farm power and machinery, measured in terms of 1935-39 dollars, is at a record level, double that of 1941, and two and a half times that of 1935-39.

However, the decline in manpower in prospect will make further mechanization of farming operations necessary. This will intensify the need for machinery and repair parts.

Farm power and machinery costs reached an all-time high in 1950. Prices of farm machinery in the first half of the year were about the same as previous peak prices of 1949, but in the last half of 1950 there were moderate increases. During the first half of 1950 the indications are that farmers purchased less machinery than in the same period in 1948 and 1949. Reduced farm incomes along with the relatively high machinery prices were contributing factors, along with prospects of acreage reduction of major crops. However, for the most part, shortages arising out of World War II and the early postwar period had been met. Demand for farm machinery has increased again since last July, partly because of expected higher prices of farm products, larger farm incomes, and perhaps some forward buying. Current production of machinery has not kept pace with this demand because of material shortages and labor difficulties. Total machinery output in 1950 is believed to have been below the high production of 1948 and 1949. Because production has not kept pace with demand since July, dealers' stocks on hand at the year end are believed to have been lower than the relatively large stocks on January 1, 1950. Plant capacity of the farm machinery industry is now greater than ever before, but some of this capacity will be used for the rearmament program in 1951. Material shortages also will reduce production below capacity.

In addition to increasing agriculture's efficiency, farm mechanization has released substantial amounts of land and other resources from the production of feed for horses and mules to the production of food, fiber, and tobacco for human use. The 52 percent reduction in the number of horses and mules since 1941 has released more than 15 million acres of cropland from growing feed for horses and mules.

Use of more fertilizer and equipment along with better farming practices has contributed to increasing crop production per acre 12 percent above 1941 and 27 percent above 1935-39.

Research has been steadily producing better plant varieties, new hybrid seeds, improved insect and weed killers, and more efficient use of fertilizer.

Farmers are now using twice as much fertilizer and lime as in 1941. Not all demands for fertilizer will be met in 1951, despite increased production. Increased demand for nitrogen probably will mean tight supplies, even with full operation of present plant capacity and the imports in prospect. Potash supplies are reasonably adequate, but phosphate production is likely to be somewhat short of demand because of a tight supply of sulphuric acid which is used in producing superphosphates.

Supplies of some of the newer types of insecticides and fungicides will be tight. Distribution will present problems. Many farmers will not be able to get the type of kind they prefer.

Construction of storage, manufacturing, and processing facilities will need to be maintained at levels which will permit orderly processing and distribution of needed agricultural commodities.

Farm transportation appears to be generally adequate. Requirements are likely to be met unless serious cutbacks in truck production are required for the defense program.

The container situation is spotty. Supplies of aluminum foil, tin, plastics, paper products, and bag materials are either short or tight. Glass container supplies are generally adequate.

The importance of electric power to farm production has increased, and will continue to do so as farm output is pushed higher.

If necessary equipment and supplies are not available at the time they are needed for planting, cultivating, spraying, dusting, harvesting, or processing an agricultural commodity, it may mean the loss of output of that product for a year or more. Our potential production therefore hinges to a great extent upon the availability of necessary materials and supplies.

It now appears that farm output in 1951 can be expanded even above the high 1949 level, if the weather is as good as the average of the last 10 years.

Output in 1952 and succeeding years could still be raised considerably, if growing conditions are average; supplies of labor, fertilizers, motor fuel, seeds of improved varieties, and pesticides are adequate; and returns are high enough to provide the incentive.

However, it will be necessary to gear production to the need for specific products.

1950 Production, Yields, Acreage

Total farm production in 1950 was at a high level compared to prewar years, although slightly under 1949. Yields generally were high, but harvested acreage was down.

The Bureau of Agricultural Economics estimates the volume of agricultural commodities produced for sale and farm home consumption in 1950 at 137 percent of the 1935-39 base. That is three index points below the 1949 record, one point below 1948, equal to 1944 and 1946, but higher than in any other year.

Although below 1949 and 1948, crop production in 1950 was still the third largest of record. It exceeded the average of the past eight years, which was the most productive period in American agricultural history. Farmers achieved this high production despite sharp reductions in acreage of several major crops and a growing season that had many unfavorable aspects.

Production of food alone in 1950 was slightly larger than in 1949, and equal to the highest marks of record. Farm production of nonfood commodities, on the other hand, was 15 percent lower than in 1949, mainly because of the smaller cotton crop. Only 9.9 million bales of cotton were produced, the combined result of a sharp reduction in harvested acreage plus a less-than-average yield per acre. Increases in livestock production largely offset declines in crop output to keep total production close to record levels.

Grain production was exceeded only three times before in history. Food grains were down some from 1949, but still larger than in any year before 1944. The wheat crop of 1,027 million bushels was just about average.

Feed grain production was the third largest in history, exceeded only by the 1949 crop and the all-time high market of 1948. Included in the total were relatively large outturns of 3,131 million bushels of corn and 1,465 million bushels of oats.

A record soybean crop featured the 1950 oilseed harvest; the peanut crop was above the 1937-48 average and the flaxseed crop only slightly above. Production of fresh market vegetables totaled a sixth above average, and the potato crop was 7 percent above average. Output of deciduous fruits was below average. Tobacco production exceeded both 1949 and average.

Composite yield index for 28 major crops was estimated at 142 percent of the 1923-32 base. That was slightly above 1949 and 6 percent below 1948, but otherwise the highest on record, and 17 percent higher than the pre-Pearl Harbor year of 1941. National average yields per acre for rice, sorghum grains, peanuts, tobacco, sweetpotatoes, and other potatoes reached new highs, while yields for barley, all hay, soybeans, and sugar beets were second highest on record. Wheat and flaxseed yields were higher than in 1949, though wheat was slightly below average. Cotton yield was both below average and below 1949. Yields of most other crops were above average.

Smaller acreage, rather than smaller yields, accounted for most of the decline in crop production. The 52 principal crops were planted or growing on nearly 358 million acres, about 12 million less than in 1949. Harvested acreage of these principal crops amounted to about 341 million acres, the smallest total since 1942. This was nearly 16 million acres less than the relatively large 1949 total, and close to 21 million acres less than the 362 million acres harvested in 1932 -- the largest on record.

The planting season for 1950 crops began favorably in the fall of 1949 but developed unsatisfactorily in the spring over most of the main agricultural area. The season emphasized the importance of farm mechanization, as power machinery enabled producers to wait out periods of adverse weather and make rapid progress with field preparation, planting, cultivation, or harvest when conditions became favorable. Labor supplies were generally adequate, and fertilizers were used to an increased extent.

Output of livestock increased 1 percent in 1950, with production of most commodities in the livestock group larger than in 1949. Total production of livestock and livestock products was 38 percent above the 1935-39 average, and only 3 percent below the 1944 peak. Largest increases were: Broilers, up 15 percent; eggs, up 6 percent; hogs, up 5 percent; and turkeys, up 6 percent.

The number of cattle on United States farms, which began an upward cycle in 1948 after a three-year decline, has continued to increase. There was an increase of 4,127,000 head of cattle and calves in 1950, added to the gain of 1,954,000 head during 1949. The number of cattle on feed in the United States on January 1, 1951, was 5 percent larger than a year ago, and the largest on record.

Hog production also increased, with 1950 production estimated at 100.7 million head -- 5 million more than in 1949, and 17 million more than in 1946. The 1950 fall pig crop was 9 percent larger than the 1949 fall crop, and a 6 percent increase in the 1951 spring crop over the same 1950 crop was indicated by farmers' intentions as of December 1.

The decline in sheep and lamb population, which had dropped from a 1942 peak of 56,213,000 head to a record low of 30,743,000 head on January 1, 1950, appeared to have been stopped by late 1950.

Production of eggs was the largest on record, 65 percent above the 1935-39 average and 6 percent over 1949. Production of chickens was the largest except for the record production in 1945, with 1950's mark 71 percent above the 1935-39 average and 3 percent over 1949.

Total production of milk for 1950 is estimated at 120 million pounds, compared with 119 million pounds in 1949, and second only to the 1945 record of 121 million pounds. Production per cow exceeded 5,300 pounds, compared with 5,239 in 1949 and the 1935-39 average of 4,403.

Food Consumption

More food was available for distribution in the past year than in the two preceding years. Food disappearance was more than a third larger than in the prewar period, although slightly below the 1944-47 average.

Military takings of food supplies had declined sharply after the end of hostilities in 1945. This decline plus the continued large-scale production of food in this country permitted civilian consumption to remain at a high level and allowed large volume exports for rehabilitation and relief abroad.

Preliminary figures for 1950 show 93.2 percent of the total food disappearance in civilian consumption, 2 percent for military use, and 4.8 percent for exports.

Domestic food consumption per person in 1950 was 3 percent larger than in 1941, despite an increase of 14 percent in the population during that same period.

The pattern of civilian food consumption in the United States during 1950 reflected the high level of civilian employment and incomes. Per capita consumption of meat, poultry and eggs, fluid milk and cream, vegetables, sugar and sirup, and fats and oils all registered small increases during the year. Per capita consumption of potatoes and grain products was slightly less. These changes in average per capita consumption followed the general pattern of changes in eating habits which accompany changes in income, improvements in food production and marketing, and increased knowledge of nutrition.

Consumer demand and per capita consumption are both likely to increase further in 1951. As the defense program expands, employment and consumer incomes will rise above current record levels, thus further strengthening demand for food. Reduced output of some types of consumer goods, particularly durables, may result in consumers spending a larger proportion of their incomes for food than in 1950.

We know from experience that people consume more food in periods of full employment and high purchasing power such as the defense effort will create, and we know that the pattern of demand changes.

We must set our sights high to meet this increased and still changing demand.

Farm Prices and Income

The downward trend in farm income and prices was reversed in 1950.

Better prices during the last half of 1950, however, were only sufficient to about counterbalance the lower demand and prices during the first half of the year. Gross income in 1950 was almost equal to that in 1949. But farm expenses rose, with the result that net realized farm income for 1950 remained below 1949 net income, marking the third consecutive year of decline.

Our farm price trends naturally reflected the expansion in consumer buying power. From December 1949 to December 1950 prices received by farmers rose an average of 23 percent, with the greatest gains registered in July and December immediately after the Korean and Chinese communist developments.

But it must be recognized that the previous postwar adjustment for agriculture was much more severe than for business and industry. From the high point reached in January 1948, to the low of December 1949, prices received by farmers had dropped an average of 24 percent. Even with the recovery made during 1950, therefore, farmers' prices for the year averaged only slightly above 1949 and remained more than a tenth below the 1948 mark. With the volume of marketings lower than in 1949, farmers' cash receipts from marketings in 1950 probably totaled about 27.9 billion dollars, slightly under the 28.1 billion received by farmers in 1949.

Gross farm income for 1950 is estimated at 32.1 billion dollars, almost equal the 1949 figure of 32.2 billion. This gross includes the value of home-consumed farm products, rental value of farm dwellings, and Government payments to farmers in addition to cash receipts from marketings. The value of home consumption was about the same as 1949, as there was little change in either volume of products consumed or prices. Rental value of dwellings was only slightly higher.

Farmers' total expenses of production are estimated at 19.1 billion dollars for 1950, up a billion dollars or 10 percent from the previous year. The rise in total expenses during the past year was mainly the net result of increases in the cost of purchased feed and livestock, interest and depreciation charges, motor vehicle operating costs, and rent -- only partly offset by a decline in wages paid to hired labor.

Farmers' realized net income in 1950 -- the difference between gross income and total production expenses -- is estimated at about 13 billion dollars, compared to 14.1 billion dollars in 1949, a decline of around 8 percent.

Realized net income reached a high mark of almost 18 billion dollars in 1947, four times its 1940 level. In 1948, however, expenses rose considerably more than gross income, and net income declined for the first time in ten years. Since then, expenses have increased in contrast with declining prices of farm products during most of the period to keep net farm income headed downward.

In no other major phase of our economy has there been such a pronounced and continuing postwar decline in incomes.

Agriculture's Balance Sheet

Agriculture's assets reached a new all-time high of 137.6 billion dollars at the beginning of 1951 -- the estimated combined value of farm real estate, livestock, farm machinery and motor vehicles, crops stored on and off farms, farm household furnishings and equipment, and farmers' liquid financial holdings.

Farm real estate is valued at 68.8 billion dollars, nonreal estate assets at 47.05 billion, and financial assets at 21.8 billions.

Farm indebtedness also increased during the past year, partly as a result of increasing capital expenditures to expand facilities. But indebtedness did not expand as rapidly as assets, and as a result proprietors' equities are at a new record level of about 124.8 billions -- an increase of 8.8 percent for the year.

Farm land values were at an all-time high at the year end, having passed the previous high peak established in November 1948. Taking 1912-14 as 100 percent, the 1948 postwar peak in the farm real estate index was at 177 percent. The downturn developing at that time lasted only one year, with a gradual recovery during the first half of 1950 followed by an even stronger uptrend since the Korean outbreak, particularly in the Midwest. On July 1, 1950, the index was back up to 172. Climbing steadily since then, it reached 179 in November for a new record.

Farm Programs

Agriculture's strong position and its ability to assume an essential role in defense mobilization is due in no small part to the foresight and wisdom of the Congress in providing constructive farm programs that have strengthened our agriculture economically, improved rural standards of living, encouraged farm ownership and better conditions of tenure, fostered research and education, provided necessary credit assistance, and conserved and improved our land resources in the public interest.

All these farm programs — price support, conservation, credit, electrification, research, extension, and other services — proved of tremendous help before, during, and after World War II. They are equally invaluable in the present emergency. There is need to reemphasize the vital role of such programs in agricultural production — and consequently in national production. More production — and more efficient production — is our defense objective.

Even in normal peacetime, the programs of the Department of Agriculture are in a sense "defense" work. They defend the Nation's supply of food and fiber against insects and diseases that threaten to curb our plant and animal production, against weather risks, and against economic hazards beyond the farmer's control.

Rather than weaken any of agriculture's defenses against normal hazards, we need now to strengthen them.

Much of the Department of Agriculture's existing work relates directly to our mobilization's objective for agriculture — more efficient production of raw materials basic to the strength of the Nation's economy.

Let me briefly review some of this work.

Price Support

Agriculture's present strong position in the Nation's economy is partly due to the stabilizing influence of Government price support operations which eased postwar adjustments for farmers, and made possible the building up of safe reserves of storable commodities that have proven of great strategic value since the Korean outbreak.

The declining trend in farm prices and farm income still evident at the start of 1950 was cushioned by price support programs of the Commodity Credit Corporation, under the Agricultural Act of 1949. The Act required support at 90 percent of parity for the 1950 crops of basic commodities — corn, cotton, wheat, rice, tobacco, and peanuts. Support was also mandatory in 1950 for certain designated nonbasic commodities. Support of prices of wool, mohair, tung nuts, honey, and 1950 crop Irish potatoes was required at levels from 60 to 90 percent of parity, while support for milk and butterfat was required at a level between 75 and 90 percent of parity. Support for other commodities was permissive at any level not in excess of 90 percent.

The dollar volume of price support operations in 1949 crops declined almost 22 percent from the peak established on the 1948 crops, and the decline continued through 1950. The decline in need for support funds was due to slightly decreased production, lower support levels fixed by law on most commodities, and a greater market demand, particularly for cotton.

As of December 31, 1950, the Commodity Credit Corporation's "investment" in price support — loans outstanding plus the cost of the inventories in storage — was $2,889,702,000, as compared with $3,538,125,000 at the end of the 1950 fiscal year on June 30. The total CCC investment in price support at the year end included $964,158,000 in loans outstanding, plus inventories acquired under loan, purchase agreement, and direct purchase operations at a cost of $1,925,544,000.

Price support operations in three commodities accounted for the bulk of the loan total. These commodities, the quantities of collateral pledged and the loans outstanding, were as follows:

Wheat -- 183,697,846 bushels, $365,145,769

Corn -- 200,021,737 bushels, $271,958,051

Tobacco -- 283,150,356 pounds, $128,727,492

The remaining $198,326,453 in loans outstanding was distributed among flaxseed, peanuts, soybeans, hay and pasture and winter cover crop seeds, barley, dry edible beans and peas, grain sorghum, oats, rice, rye, rosin, Upland cotton, and cottonseed. In this group, the largest amount of loans on any one commodity was $53,328,989 on grain sorghum.

During the post-Korea period from July 1 through December 31, CCC's inventory holdings were reduced $698 millions, mostly as a result of sale of cotton reserves. On June 30, the inventory included 3,413,635 bales of cotton at a cost of $580,236,924. On December 31, the CCC's cotton inventory was down to 97,505 bales at a cost of $17,433,460.

CCC's net realized program loss on price support operations during the fiscal year 1950 amounted to $249,230,000. Major loss items included: Potatoes, $75,090,315; dried eggs, $41,617,723; peanuts, $40,592,601; wheat, $28,384,123; corn, $17,189,119; dried milk, $14,619,145; wool, $10,755,942; and grain sorghums, $10,514,934.

The net loss in carrying on the CCC price support program in the first six months of the current fiscal year -- July through December 1950 -- amounted to $136,663,000, realized largely on butter, eggs, milk, grain sorghum, wheat, and potatoes.

Considerable misunderstanding exists about the "cost" of price support programs, due to misinterpretation of the CCC's investment in such operations.

Out of the total investment in present price support programs, approximately 90 percent is in the form of loans on or inventories of staple, storable commodities. These inventories are desirable reserves which can be used to meet needs due to crop failures or sharp increases in demand for defense purposes. When market prices strengthen, or shortages develop, these inventories can be sold back into normal market channels with little or no loss to the Government.

In the 17 years of the Commodity Credit Corporation's operations -- the entire "life" of the price support programs from October 17, 1933, through the end of the 1950 calendar year -- it has had a total net realized loss of only $773,703,628 on farm price support programs, while contributing many billions in increased farm purchasing power to maintenance of our national income and national output at the highest levels in history. And the greatest part of that loss -- over half of it -- has been sustained on the potato program for which we have consistently and repeatedly urged improved legislation to correct costly weaknesses. Under the terms of new legislation, no potato price support program will be available on the 1951 crop.

Experience of agriculture during World War II emphasize the continuing importance of adequate price support programs for important farm products, even during periods of anticipated heavy demand. The strong price support programs of the past helped give to our agriculture the production momentum which enabled it to meet the unprecedented wartime demands and to establish new farm production records in the postwar period — records that played so big a role in the rehabilitation of Europe and in checking communist inroads.

In the Nation's interest, farmers may produce even beyond the amounts they know they could sell at profitable prices. We want that extra amount beyond visible current needs as an anti-inflationary influence. We want enough to meet current demands and maintain safe reserves as a vital safeguard against the hazards of weather and other unforeseeable forces.

In fairness to the farmer, can we expect him to bear the full burden of protecting the rest of the economy by producing to the extent of driving his own returns below a fair level? Farmers are not asking a "guarantee" of profits. But they do have every right to ask reasonable protection when they are called upon to act in the Nation's interest without regard to their own. The uncertainty of the Nation's future needs in such times as these makes greater the farmer's gamble in answering the call to abundant production, and increases rather than lessens the need for adequate price protection. I continue to believe we must see that agriculture has that assurance.

Moreover, in these times when we require efficient use of all our resources, we must make certain that neither land nor human resources are wasted in production of commodities beyond genuine needs whenever they can be diverted to production of other commodities of which we face a short supply.

We know from experience that periods of high purchasing power bring increasing consumer demand for meat, milk, and eggs. But before we can provide the assurance of support that may be required to guide production into the lines of greatest need, we need some better method of support for perishable commodities than is now available.

We must certainly continue to search for better devices for supporting perishable food products than those which take food away from consumers and divert it to uneconomical and sometimes wasteful uses. Any waste or destruction of food is a useless drain upon our resources that will be less defensible now than ever before. A workable answer to such problems is needed now, not just for the future.

Adequate price assurance can be a valuable asset in our urgent efforts to secure the amounts and kinds of agricultural production we will need during the mobilization period ahead.

The Role of Research

Behind the high productivity of American agriculture lies the continuing contributions of agricultural research to the American farmer's "know how." As essential as research has been to agriculture in normal times, it is even more so in times like the present, calling for maximum production and safeguards against any hazards that might interfere with such production. As farmers go into the battle of production, our research scientists and technicians comprise their "intelligence unit."

Research activities during the past year have yielded a vast amount of new information about certain aspects of farm production, disease and insect control, new uses for agricultural crops or their byproducts, and distribution and merchandising of farm commodities.

As the results unfold, they provide renewed assurance that even greater production efficiency is possible; that many byproducts now going to waste have a meritorious use as food, feed, or in industry; and that marketing methods and equipment can be improved so that what the farmer produces can be delivered to the consumer with less spoilage, at less cost, and in better condition.

Emphasis upon need for abundant production during the present period of defense preparedness once again tends to focus attention upon the tremendous value of continuing research in all fields of agricultural endeavor. Progress through research is the cumulative result of continuing effort; it cannot be halted and started at will.

But research has done more than increase production; it has become the basis of efficient utilization and distribution as well as efficient production. Sometimes research workers are called on to do much more than increase production, or make it more efficient. Often they save an entire segment of agricultural production from the threat of extinction by plant diseases. This has happened with sugar beets in the West, sugarcane in the South, bright-leaf tobacco in North Carolina, and lettuce and melons in the Imperial Valley of California -- to mention only a few examples.

Research also prevents waste of food and feed, and thereby makes our supplies go farther. Research has given new weapons against grain weevils and others of their kind, although they still take a heavy toll each year. Use of a new control method for greenbugs in the Winter Wheat Belt of the Southwest last spring meant the difference between a good crop and no crop at all. A new control for European corn borers gave Iowa farmers increases of ten or more bushels per acre where it was used.

Food chemists have also found ways to eliminate much waste. Large quantities of fruits too ripe for shipment to distant markets are now processed into delicious foods. Wastes from fruit and vegetable canning plants are recovered either for human food or as feed for livestock.

Scientific development plays a prominent part in our agricultural potential. How much and how fast production can be increased depends on the success of scientists in meeting the problems farmers encounter.

The remarkable growth in potato yields in the last decade can be attributed in part to such research findings. New insecticides and fungicides have helped boost yields. Disease-resistant and high-yielding varieties have been developed. Improved fertilizer and better application methods are in use. Production practices generally have been improved. The result speaks for itself: During the 20-year period from 1919 to 1938, national potato yield per acre averaged 110.1 bushels; in 1941, the national average was 132.1 bushels; in 1950, it was 237.9 bushels.

The task of science is never finished. Our scientists spent years developing improved wheat varieties resistant to stem rust. Last summer, for the first time, a new and virulent race of rust broke out over most of the Nation's bread basket. It caused serious loss to spring wheat areas, the first serious rust damage in 15 years. None of the existing varieties appear resistant to this new race of rust.

But our scientists have found some experimental lines of wheat in experiment plots which show resistance to the new rust. They are now planning an intensive and speeded-up wheat breeding research program to develop the new varieties. Tests are under way this winter in six South American countries, where rusts of this race, even more virulent than here, now exist. Seeds have been sent there to determine resistance against the South American rust.

Without such research efforts, wheat crops would be seriously impaired for years to come. At best it will take several years to develop new rust-resistant varieties.

Another current problem is a fast-spreading, poisonous weed on western range lands that brings sudden death to sheep and cattle feeding upon it in late fall and winter when other forage is not available. Called halogeton, it contains oxalic acid which combines with calcium of the blood serum. It was first noted in Nevada about 15 years ago, and is a native of the Caspian Sea region, a close relative of the Russian thistle.

What can science do about it? For small infestations, chemical spraying is possible. But on a large scale, spraying is costly and impractical. The long-term hope for control rests on the fact that halogeton competes poorly with other plants. In Nevada it has not been able to invade good stands of crested wheat grass. To replace the weed with this grass would return thousands of acres to productive range.

An outstanding example of disease control is our fight against the foot-and-mouth disease outbreak in Mexico. An outbreak in this country would seriously cut production and cost billions of dollars. We did not wait for the disease to reach us. Within 90 days after the outbreak in Mexico was confirmed on December 26, 1946, the Mexican-U.S. Commission was set up, quarantine lines were established to halt rapid spread, and inspection and slaughter programs were started, followed by a vaccination program that is still under way. Much progress has been made, but we are still not finished. A new center of the disease in Mexico was discovered at the year end, marking the first evidence of active infection of the disease in that country since December 1949. Only time will tell the extent of the new outbreak, but this experience shows why we must be vigilant, not only in Mexico but in this country as well.

Conservation and Land Use

Conservation and balanced farming are equally important in both peacetime and wartime. The emphasis on certain crops and certain practices may shift, but essentially good farming is the only guarantee that farmers can maintain production not only for this year but also for next year and the years following.

Considerable progress was made during the past year in conservation of soil and water resources through desirable shifts in land use, comprehensive conservation treatment of whole farms on the basis of farm conservation plans, and by encouraging such practices as seeding and reseeding of pastures, constructing dams, establishing green manure and cover crops, building terraces, farming on the contour, and applying liming materials and fertilizers to establish and maintain stands of grasses and legumes.

Public effort at conservation on the one and one-quarter billion acres of private farm and ranch lands in the United States has been advanced during the year through the Soil Conservation Service and through the Agricultural Conservation Program.

In the first of these, the physical problem itself has been tackled. The Soil Conservation Service is the technical agency of the Department of Agriculture which aids in bringing about conservation treatment and physical adjustments in land use that conserve soil and water resources, working toward such objectives through development and improvement of conservation practices and techniques, and by helping farmers and ranchers properly coordinate the use of such practices on various types of land. The Service carries on most field operations through the 2,261 soil conservation districts of the Nation.

The ACP activities conducted through the Department of Agriculture's Production and Marketing Administration have provided payments to farmers to assist them in installing measures needed for soil conservation. This assistance represented only a small part of the value of the conservation practices actually carried out. Administration of the Agricultural Conservation Program at the county and community levels was handled, as in other years, by locally elected farmer-committees.

Practices under the 1950 Agricultural Conservation Program stressed protecting the soil from wind and water erosion, restoring and maintaining soil productivity, restoring and maintaining sustained yields on range and permanent pasture, conserving and obtaining efficient use of water for agricultural purposes, and establishing, restoring, and maintaining farm woodland at high levels of sustained yields.

The wind erosion practices included in the 1950 program were "urgent" practices at this particular time because of the potential wind erosion situation in the Great Plains. This area is subject to recurrent droughts, and in the spring of 1950, for the second successive year, soil blowing spread considerably. Nearly eight and one-half million acres of winter wheat seeded in the fall of 1949 were abandoned by the first of May. The Great Plains Agricultural Council report of April 1, 1950, showed 7,965,000 acres susceptible to wind erosion and 1,126,000 acres already injured by blowing. The threat has emphasized the necessity of accelerating the performance of conservation measures such as field strip cropping, management of crop residue, protective tillage operations on cropland, and management of grazing land to maintain protective cover if the agricultural resources of the Great Plains are to be maintained.

We need still greater emphasis on conservation and sound land use practices during the present emergency period. It is not advisable for farmers to plow up land which can better or more safely be used as pasture. Nor should farmers endeavor to increase livestock production unless they have, or can reasonably expect to get, necessary feed supplies. Expansion of grasslands farming is needed both for the present and for agriculture's long-range future. We need more meat now. But we will need continued expansion of the livestock industry in the future. Grasslands farming helps produce meat and also preserves land resources. In the past two decades, we have improved one-fourth of all our grasslands -- but it is estimated that 90 percent of it needs further improvement.

The Department and the land-grant colleges have jointly undertaken an extensive program toward that objective.

River Basin Developments

The Department of Agriculture is presently engaged in planning comprehensive agricultural programs in the Columbia River Basin, in the Arkansas-White-Red Region, and in the New England-New York region.

We recognize that not all that must be done eventually can be undertaken in these times. But, to the limited extent possible with the funds available, we hope to continue with the study necessary to bring about the development, utilization, and conservation of the resources of our great river basins. This work is carried out in cooperation with the agencies of the several states, as well as the Corps of Engineers, the Interior Department, and other Federal agencies.

In planning comprehensive agricultural programs in major river basins and regions, the Department of Agriculture will aim to achieve the maximum social and economic benefits to local communities, the Nation, and the region through the timely development, utilization, and conservation in a coordinated manner of the agricultural resources of such areas.

We recognize that river basins are the natural subdivisions of our land and water resources, and that watersheds are the natural units in these river basins. In this we concur fully with the President's Water Resources Policy Commission. The successful development of land and water resources can be carried out only in the form of basin programs which deal with entire basins and which take into full account all relevant purposes to which these resources can profitably be put.

As the President's Commission has so aptly concluded, none of our Nation's miracles of human achievement would have been possible without one key resource: water. Can we now risk letting the serious waste and exploitation of that basic resource go on unchecked? It is our belief that whatever can be done must be done within the concept that land and water are inseparable. Indeed, the management, conservation, and use of our water resources are inextricably bound up with the management, conservation, and use of our land resources. The protection and improvement of both resources are essential to the future growth of wealth of our people.

Rural Electrification

Adequate electric power on the farm is as necessary to efficient farming operations today as to industry, because of what it can do to help in the production and preservation of many farm products and in the saving of labor.

Two and a half times as many farmers now as prior to World War II are in a position to use electricity for saving manpower and increasing production efficiency.

Since the Rural Electrification Administration was started in 1935, the figures on farm electrification have been almost exactly reversed. Then, only about one farm out of ten had power from a central station -- now only about one farm out of ten does not have power from a central station.

Today more than three million farm families and other rural consumers are depending upon REA cooperatives to supply an essential utility service in an adequate and dependable manner.

More efficient operation is essential to all farms in the period ahead, and continuation of the REA programs is essential to maintain agriculture's efficiency.

In addition to their defense-supporting activities in providing electric service to farms, REA cooperatives are making a direct contribution to our mobilization efforts in nearly every section of the country.

For example, two South Carolina cooperatives will provide much of the power that will be required in the construction of the hydrogen bomb plant. In addition, they will serve many of the homes, establishments, and rural industries necessary to accommodate the estimated 6,000 plant workers when the project is completed.

A Pennsylvania co-op will serve an Army weather station at Altoona. In Kentucky, another co-op will provide electricity for the homes and other establishments of workers at an atomic plant near Paducah.

In Missouri, an REA borrower will supply power for an Army radar station, and in North Dakota another borrower will deliver upwards of 600,000 kilowatt-hours a year to a new Government weather station.

In Montana, three REA cooperatives are preparing to serve Army installations. One of these will demand more than 92,000 kilowatt-hours per month. In Idaho, a cooperative of 1,000 members will help meet the power requirements of an atomic energy development, and in Oregon, one cooperative will serve an Army radar station and another will provide power for a ship repair yard.

What REA credit has meant to extension of rural power facilities, it may also eventually mean to improvement of rural telephone service.

There is urgent need for maintaining, to the extent possible in light of present circumstances, the new REA rural telephone program upon which we have made a successful and long-needed start.

The REA telephone lending program completed its first year of operations on October 28, with almost 30,000 prospective new rural subscribers assured of modern telephone service as a result of REA loans. About 20,000 others are soon to have modern telephones to replace antiquated and unsatisfactory ones.

The first REA-financed telephone went into service on September 20, with a phone call from President Truman at the White House to Mr. and Mrs. Eugene Dickinson of Chancellor, Virginia.

During the first year of the telephone program, REA approved over $12 million in loan allocations to 27 commercial companies and 14 cooperatives for extending and improving telephone service on an area coverage basis in rural areas of 21 states. More than 600 loan applications totaling over $75,000,000 from 41 states and Alaska are under consideration.

Less than half of the farms of this country have telephone service, and less than a fourth have anything like adequate service. The modern mechanized farm is in reality a rural factory, with the same need for rapid communications with its supply centers that the urban factory has. If three-fourths of our urban factories producing defense needs were without telephones, one of the first orders of business would be to extend such service to them without delay. Food is a defense need. Improvement of the present deplorable communications situation in rural areas is imperative. The small amount of critical materials required for such improvement would serve a far more useful purpose for mobilization or defense in providing communication service to farmers than if the same materials were devoted to extending urban service.

The inadequacy of rural telephone service was a distinct handicap to the efficient functioning of agriculture's production and marketing activities during World War II. When telephone service is not readily available, the search for scarce repair parts and supplies involves the expenditure of rubber and gasoline as well as time. The marketing of farm products, and the safety of farm homes and families, gives rise to the great demand for farm telephone service in time of peace. The need is even more urgent during periods of manpower and material shortages. The possibility of enemy attack, the need for decentralizing many operations, and the necessity for ready communication with all local communities makes improved telephone service a "must." Many groups of farm people throughout the country look to the REA telephone program, now in its second year of operation, as the only means of obtaining adequate telephone service.

Meeting Our Timber Needs

Mobilization on top of our own expanding domestic economy is going to mean tremendous demand on our forests. We have plenty of forest land to grow the timber for our long-term needs, provided we manage that land well. But unless we are extremely careful there is great danger that in meeting present heavy timber demands we shall jeopardize future supplies.

In our preparedness programs, how can we increase our output of forest products so necessary to defense and civilian use and yet protect our capacity for sustained production by keeping our basic resources strong?

In the program authorized by the Defense Production Act of 1950, the Department of Agriculture has been assigned certain responsibilities with respect to forest products. In line with these responsibilities, the Department's Forest Service will undertake surveys of the equipment, supplies, and manpower needs of the primary forest products industries and other studies concerned with the defense program.

The Forest Service's judgment will be requested by the National Production Authority as to the requirements and supplies of timber in areas tributary to proposed plant expansions. NPA is receiving many applications from forest products industries for Government production loans and for accelerated tax amortization, authorized under the Defense Production Act. In the aggregate the proposed expansions would amount to hundreds of millions of dollars and would represent a potential new drain on the Nation's timber resources of large proportions. Expansion of plant facilities is desirable where timber supply is adequate and there will not be an excessive concentration of installed capacity in localized areas. But every effort should be made to avoid plant expansion that would disrupt existing industry, or that would jeopardize sound long-term developments by causing over-drain and depletion of the forest resource.

This country stands to reap the benefit of our past and present protective management of the national forests. Our national forests, not including Alaska, contain 73 million acres of commercial forest land, or 16 percent of the country's total. Standing saw timber on these lands now amounts to some 520 billion board feet, or more than 30 percent of the total available supply.

Production is not yet up to sustained-yield capacity on many of the national forests, however, due mainly to inaccessibility. If the needed access roads can be built and timber sales activity stepped up, the sustained-yield output of timber from national forests can be increased by more than 50 percent within a very few years. Construction of main-line log-haul roads to large stands now inaccessible would permit an increase of about two billion board feet a year, expanding the present annual cut of four billion board feet to six billion board feet per year.

The economic importance of protecting our forest lands from the ravages of fire in peacetime is increased manyfold in time of war or threat of war with its threat of sabotage and incendiary attacks. Direct damages to the Nation's forests from fires in 1950 probably equalled or exceeded the 1949 figure of $43,000,000, a serious waste of natural resources.

The mobilization period will require tight control of fires. It will require vigorous control measures against insects and diseases which cause even larger losses than forest fires. If we are to safeguard our timber supplies for the future, it will require positive action, in meeting current needs for forest products, to see that wasteful or destructive cutting is prevented and that cutting methods which keep the forests productive are used. Regulatory measures to that end have been proposed by the Department of Agriculture. The Department's recommendations would call for controls of timber cutting and related practices to be applied by the individual states, but in conformity with Nation-wide standards set up by national legislation.

To help safeguard our timber supplies for the future there should also be more intensive management of the national forests. There should be public aids and assistance to encourage wider application of good forest management on private lands. There should be continued work toward reforestation of the millions of acres of forest land, both public and private, that need planting. And there should be continued research to find better and cheaper ways of managing forests and utilizing their products.

Our Role in Mobilization

Ever since the Korean outbreak, American agriculture's productive ability has assumed added significance from the viewpoint of agriculture's basic and vital role in the Nation's defense effort.

Our security is in strength -- economic as well as military. We know we must keep our economy strong to maintain our military strength. And we know from experience that we cannot long maintain a strong economy without strength and stability in agriculture.

Agriculture, therefore, is a vital part of our potential national strength and must be so regarded. Preparedness means more than just tanks and planes and guns. It means adequate supplies of food and fiber as well.

In other times and under other conditions, we have discussed some of the serious economic problems that confront agriculture, and outlined suggestions for consideration of the Congress in meeting them more adequately than they have been met in the past. It would certainly not be realistic now to think or act in any terms other than the defense emergency that confronts us. And it would be wrong for anyone to assume that we are doing otherwise in the Department of Agriculture.

From the time of the Korean outbreak on down to the present, throughout the period of growing awareness of the grave situation our Nation now faces, we have considered and are still considering agriculture's problems only in the light of conditions as they now exist.

Agriculture's present mobilization challenge is an urgent call for abundant production, for both the physical and economic needs of the Nation. We must strive to produce enough of the right kinds of food and other farm products to fill every need at reasonable prices.

We have already geared the Department's policies to the big job of production ahead.

In order to encourage production of the abundance we need, we have announced that there will be no marketing quotas or acreage allotments on cotton for 1951. We hope to boost our production to 16 million bales. We have also announced that there will be no marketing quotas or acreage allotments on 1951 crops of corn, wheat, and rice.

In asking for increased production, we recognize that the situation differs greatly between farms and between areas. We want each farmer to make those increases in production which will best utilize his own resources.

For most crops and classes of livestock, the current situation can probably best be met by informing farmers as to the total acreages or levels of production which seem desirable and the various positive steps which the Department can take to assist them, including the announcement of the appropriate price supports.

Most day-by-day peacetime tasks of the Department of Agriculture are the same tasks that are now more essential than ever to security and stability. They are designed to strengthen agriculture's productive ability, to safeguard our food supply, and to assure conservation of productive resources for the long pull that lies ahead.

But we by no means have a "business as usual" attitude. Just the opposite is true. Our emphasis has been placed upon our defense responsibilities, with redirection of activities, wherever necessary, to serve defense purposes more effectively and more economically.

Our research people are making plans for shifting much of their work to meet special needs of mobilization. We will have to accelerate our research on such things as dehydration of foods, and production of critical materials now in short supply.

For much of our work, no redirection has been necessary. That can be best illustrated by a few simple examples of just how our Department's normal operations have become significant defense responsibilities.

It is to the Bureau of Animal Industry and Bureau of Entomology and Plant Quarantine in our Agricultural Research Administration that the Civil Defense Administration looks as our first line of protection against possible attempts to sabotage our food and fiber resources. Thus, a job that the Department does every day in peacetime becomes an increasingly essential one in wartime. The same scientists and the same laboratories that protect our food and fiber from accidental infestations will be depended upon to protect us from the increased hazard of deliberate infestations.

The Agricultural Research Administration has an efficient peacetime system for preventing the introduction into this country of insect pests and plant and animal diseases. Inspectors are always on the watch on our borders and at ports of entry. Almost every day potential enemies of the insect and disease world are intercepted and turned back. It is no little task, even in peacetime. Without alert safeguards, they would be invading us by ships, by rail, by auto, and by airplane; they can come secreted in packages of food, in wrappings of gifts, in baggage, and in ships' garbage. Even parcel post packages have been found to be a means of infiltration.

If only a few of these dangerous biological invaders could establish a "beachhead," they might wreck our production plans. So it is vital that our quarantine system, which has been geared to so-called normal situations, should now be put on an emergency basis.

Take another example.

During World War II, our Office of Foreign Agricultural Relations provided our military with valuable information on conditions in other lands. Whenever our forces made an invasion, they took with them accurate knowledge of the agricultural and food conditions they would encounter. This agency was the source of much of the basic data for the distribution among our allies of the foods and other agricultural products in scarce supply. These and other essential services were the wartime dividends of peacetime work. OFAR's activities are increasingly important in these times of international tension. Food is an important instrument of foreign policy, and we are necessarily concerned with the strength of all free peoples in the current world struggle of ideologies.

I am glad to report that improved arrangements have been and are being made with the Department of State with regard to the agricultural attaches, who are our chief source of information on agriculture in foreign countries.

The work I have so far discussed is by no means all that we are doing for preparedness.

Less dramatic, perhaps, but certainly no less important to the Nation's defense are the Department's other activities aimed toward abundant and efficient production by American agriculture. We can and must provide safeguards against whatever would obstruct the abundant production we need in the critical period ahead. In that effort, every bureau and agency in the Department is involved.

In our preparedness program, how do we get more efficient production? There is no magic about it. It is basically the same as at any other time. Science adds something to the sum total of knowledge. Through the educational channels, the facts get to farm people. The farmer, if he finds it feasible from an economic standpoint, uses a new method or an improved variety or a better chemical and gets a bigger or better product with less work or less cost. It's the familiar pattern. The only difference is that the greater efficiency is more important when our survival is at stake.

In our preparedness program, how do farmers keep informed of prospective demand and other economic conditions? They depend even more than usual upon the economic statistics that the Department prepares. In addition, national requirements for various commodities must be computed as the basis for production plans, and farmers must be kept informed as to available supplies of fertilizer, insecticides, and other materials essential to their production. In short, the preparedness program adds to the need for good statistical services, and continuing economic analysis. This means we call upon the Bureau of Agricultural Economics in countless ways, day after day.

In our preparedness program, how do we organize a production program? How do we translate decisions at the administrative level into action in the field? How do we make sure farmers are getting the labor and supplies and materials necessary to do the job we are expecting them to do? We learned during World War II that the use of farmer-committees was the most practical and most efficient method. Fortunately, we now have available an effective Nation-wide farmer-committee system, already functioning and familiar with such important responsibilities.

In our preparedness program, how do we protect our productive resources so that our ability to produce can be maintained at high levels for as long a period as may become necessary? We do it in the very same way we have learned to safeguard our resources in peacetime — through the technical and financial assistance of our soil conservation programs. The only difference is that the needs for conservation farming will become all the greater as the pressure for production increases.

In our preparedness program, how do we protect the Nation against the always-present hazard of crop failure due to unfavorable weather? In normal times we have learned to minimize the threat of bad weather by maintaining safe reserves of feed, food, and fiber. Under present conditions, we appreciate even more than ever our stocks of the storable farm commodities, stocks which are now accepted as valuable strategic reserves. They need to be kept at greater than normal levels, as insurance against drought or other unfavorable conditions. That requires more storage space. Fortunately, the emergency storage program has added 700 million bushels of storage facilities -- enough to house, for example, two-thirds of an average wheat crop.

We could go on right down the line on how almost all the activities of our Department either already fit into defense purposes, or are being redirected toward that end.

One of agriculture's most immediate concerns is that of keeping the necessary tools of production flowing to the farm. The Nation must not underestimate the importance of adequate equipment and supplies for farmers -- and for industries supplying farmers.

We have taken advantage of the already existing framework of the Production and Marketing Administration in setting up the necessary machinery for such essential new defense purposes.

We have established an Office of Materials and Facilities to act as claimant for farmers and food processors and producers of farm equipment, to make sure they get needed essential materials. We're watching the whole farm equipment and supply situation very closely. While aggressively seeking to eliminate the possibility of shortages, we realize that we may have to work with shortages. The job then will be to put available materials and supplies to the best use.

We have established an Office of Requirements and Allocations, to be responsible for integrating the demand for farm products -- to find out how much food we need, how much we have, and to balance off requirements of civilian, military, ECA, and other outlets in view of available supplies. We are seeking to give the farmer the best guidance possible as to the total production needs of the Nation.

An Administrator's Program Staff has been set up to assist in developing and coordinating defense program policies and plans, and a new Price Staff has been given the responsibility for evaluations and recommendations on price questions. We have established liaison with the Department of Labor on manpower problems, in the capacity of claimant for agriculture's necessary labor supply. With the more complex, mechanized agriculture of today, and with fewer farm workers, it is even more important to retain key skilled workers on farms than it was in World War II.

In general, PMA's existing commodity and action branches and offices have been given basic responsibility for developing and carrying out defense programs and activities in their normal fields of operation. But let me make it clear that not only the full facilities of all branches of PMA, but also all other bureaus of the Department, will be utilized to achieve our preparedness objectives -- the new offices acting as clearing houses or coordinating bodies. Full use will also be made of our farmer-committee system for translating decisions at the administrative level into action in the field.

Let me emphasize this use of our existing facilities and programs for our expanded defense responsibilities. We are not asking for additional millions to set up and operate a separate war food administration. We believe we can not only save considerable money by carrying on our defense functions within existing agencies, but we can also do a more effective job with less confusion and overlapping.

International Collaboration

In peace or in war, American agriculture is directly concerned with conditions in other lands beyond our own immediate horizon, whether they are specific conditions in agriculture or general economic conditions.

Global tension of the past year, highlighted by the Korean conflict, may have partly obscured the fact that the United States and most other freedom-loving nations made substantial progress during 1950 in facing up to important world agricultural problems through friendly cooperation.

Many of these problems are not yet solved. But the growing spirit of international cooperation in agriculture has strengthened the principle of multilateralism during the year. Our progress adds encouragement to the hope that the basic resources of food and fiber may yet prove a common denominator in guiding mankind closer to the goal of a world living and working together in harmony and peace.

That spirit continues to constitute the basic philosophy of the Food and Agriculture Organization of the United Nations, and it helped clear the way for initial implementation of the agricultural aspects of the Point IV Program.

It has been responsible for the successful first year's operations of the International Wheat Agreement, and constructive and beneficial meetings of the International Cotton Advisory Committee, the International Wool Study Group, the International Sugar Council, and other world consultative bodies. Short supplies of cotton and wool in our own country in this time of preparedness emergency adds emphasis to the importance of considering some of these supply problems on an international basis.

The United States has furthered such efforts through participation during the past year in the Interim Coordinating Committee on International Commodity Agreements established under the sponsorship of the United Nations, and in the Committee on Commodity Problems established by the Council of the FAO.

International Wheat Agreement

A new milestone in international agricultural cooperation that made significant contributions toward stability in wheat markets in 1950 deserves more than passing mention.

The first full year of operations under the International Wheat Agreement was completed on July 31, 1950 -- and the year's experience proved the Agreement to be one of the most constructive steps yet taken to implement both our foreign policy and our domestic agricultural program.

Highlights of the first year's operation under the Agreement included the following:

1. Approximately 432 million bushels of wheat and flour, or about 53 percent of the total world trade in those commodities, moved under the Agreement at maximum prices.

2. This represented about 90 percent of the adjusted quotas of guaranteed purchases and sales for the first year.

3. Six new member countries joined in the Agreement during the year, bringing total membership to 40 importing countries and four exporting countries. Of the original group that negotiated the Agreement, four countries failed either to sign or ratify and participate.

4. A net increase of 68 million bushels was made in the original 456 million bushel quota covered by the Agreement. Some of this increase was made by the addition of new members, some by increasing quotas for existing members. Further increases have been made for 1950-51.

On the United States side, our wheat and flour exports have been maintained at a level higher than would have been possible without the Agreement. To an increasing extent, the Agreement has permitted our exports to move at competitive prices through regular channels of trade.

Although the first year's functioning of the International Wheat Agreement was successful, there were difficult problems of operation and administration, just as the original negotiations were difficult. It could hardly have been expected to be otherwise with the differing interests and policies of the many nations involved. But the fact that these difficulties were met and largely overcome is a credit to the spirit of international cooperation which prevailed among members of the Wheat Council. The first year's experience has shown that the Agreement is workable and has overcome doubts held by many people.

The second year's operations are now in full swing. The International Wheat Council held its first meeting of the new crop year in Geneva, Switzerland, on October 24.

Foreign Trade

Our farmers have an important stake in foreign trade, and in the elimination of economic barriers to free flow of such trade throughout the world. If experience has proved anything, it is that this country must never again take an isolationist view of the foreign trade problem and hope to find a solution to its many difficulties by drawing itself into a shell apart from the rest of the world.

The principal direct interest of the American farmer in foreign trade is in the maintenance of his export outlet. The importance of foreign markets to the American farmer is illustrated by the fact that in 1949 exports of a number of important crops amounted to a fourth or more of total production. Agricultural exports as a whole accounted for 13 percent of total cash farm income in 1949.

Another major interest of the American farmer in foreign trade is that which he has as a supplier of the enormous market for farm products represented by the workers in American industry. A very important part of this market is maintained because of the employment and prosperity which American industry normally enjoys by virtue of its exports of manufactured products. Anything that tends to depress those exports and thereby to depress the tremendous domestic market on which United States agriculture principally depends is of greater danger to the American farmer than is competition from the relatively small agricultural imports. Hence, the larger our foreign market for agricultural and industrial products, the larger the total market of the American farmer.

But the level of our domestic exports of all commodities, generally speaking, is limited by the amount of imports we accept in payment.

In the last few years, we have been exporting something over three billion dollars worth of farm products annually. Imports of all products competing with American farmers have been about half that figure, and have consisted primarily of things such as coffee, sugar, wool, and hides and skins, of which our domestic production is not nearly enough to supply the needs of the people of the United States at the high standard of living we have been maintaining.

Agricultural exports from the United States declined during 1950, both in volume and value. During the same period, agricultural imports have been increasing. The higher imports and lower exports than a year ago have brought the export surplus down to the lowest level in the postwar period, and virtually closed the dollar gap that acted as a curb to greater foreign trade.

Both the decline in our exports and the increase in our imports reflected the improvement in Europe's postwar agricultural production and general economic condition, and the trends were strongly in evidence before the Korean outbreak.

Mobilization for defense at home and in Western Europe may again sharply interrupt progress toward a close export-import balance. Europe will not likely be able to produce the war materials to rearm and at the same time produce the industrial goods and other materials to sell in the world market and thereby close the dollar gap with their own means. Our export market may be further curtailed by the lessening available supply remaining above increasing domestic needs.

But much of the world may still have to share in American food and raw materials to survive. The Iron Curtain has not only cut off the movement of people and ideas between the Russian sphere and the Western nations. It has also closed off a great volume of food products and raw materials which Europe and some of the Far Eastern nations need. Those countries face the choice of dealing with Russia on its own terms, or finding foods and materials elsewhere. The United States is one of the few nations with substantial exportable supplies.

Technical Assistance

It is a part of our national policy to assist other areas of the world to develop their resources, increase their output, and expand their trade. By so doing we are not only benefitting other countries; we are also benefitting ourselves. With more purchasing power, they will have better economic stability and they will be able to enter the world markets as better customers. Those markets are now too limited. More than half of the exports of the United States, for example, are purchased by countries that have only 11 percent of the world's people.

Most of the underdeveloped countries remaining in the world are farming areas. They are interested in farm improvements. In exchanging agricultural knowledge, the United States already has experience gained through ten years of active cooperation with Western Hemisphere countries. We have exchanged scientists, technicians, and information. Working together, we have made notable advances. All of us are benefitting.

From such experiences, we have every reason to believe that technical cooperation expanded to world-wide proportions will be highly rewarding.

During 1950 the United States not only continued its present programs of technical assistance in agriculture to other countries, but developed plans for expanding such cooperation. A number of agencies, Federal, State, and private, have assisted in carrying on the programs through which the United States shares its agricultural "know how."

As a participant in work of the Federal Government's Interdepartmental Committee on Scientific and Cultural Cooperation, the Department of Agriculture during the past year continued its cooperative endeavors with some 15 Latin American countries, and at the same time broadened its activities to include the Middle East and the Far East.

In many instances the joint work centers around the improvement of agricultural commodities that are of mutual interest. In Latin America, for example, this has centered on natural rubber, coffee, cacao, fibers, tropical woods, essential oils, and insecticidal and medicinal crops. The work is also concerned with general agricultural improvement, including development of poultry, livestock and food crops, control of erosion, control of insects and diseases of plants and animals, and advancement of farm management and techniques.

In Mexico we are cooperating in the attack on aftosa (foot-and-mouth disease of livestock). In Cuba we are helping develop a new fiber crop called kenaf that is just as good as jute in making sugar bags.

Under broadened legislation, funds were made available last year to meet the requests of other countries as well. Last year we sent our agricultural specialists to new posts in the Philippines, Ceylon, India, Pakistan, Iran, Thailand, and Liberia. In such countries they are working shoulder-to-shoulder with those countries' own specialists, and together they are trying to work out solutions to the most important agricultural problems -- such as growing more rice in Thailand and controlling the serious diseases of Manila hemp in the Philippines.

In addition we are helping train agricultural people of these and other countries by arranging for them to visit American agricultural schools and research institutions. These visitors are coming to see American agriculture at the rate of 3,000 a year.

But such technical assistance is also being advanced on other "fronts."

The Economic Cooperation Administration has continued to make technical assistance in agriculture a significant aspect of its work, and regards it as a very important means of achieving the agricultural production goals of the participating countries in the European Recovery Program. The U. S. Department of State, through its Institute of Inter-American Affairs, has continued its food-supply programs in Haiti, Paraguay, Peru, and Costa Rica.

Agricultural institutions of the various states, including the land-grant colleges and the experiment stations, continue to contribute time, facilities, and personnel to such technical assistance work. Private organizations, such as the American Association of University Women, the American-Scandanavian Foundation, and the Rockefeller Foundation, have continued to give valuable assistance.

Perhaps the best example of such efforts by private institutions is the outstanding accomplishment of the Rockefeller Foundation in its international cooperative projects, such as its joint work with the Mexican Department of Agriculture. Last year about two-thirds of a million acres were planted to new and high-yielding varieties of corn developed through cooperative research.

Just prior to the end of the fiscal year, the 81st Congress passed the Act for International Development, known popularly as the Point IV Program, empowering this Nation to take still broader action -- both bilaterally and multilaterally -- in cooperating with other countries in expanded programs of economic development. Programs of agricultural improvement are sure to play an important role in the cooperative endeavor as the Point IV Program unfolds and gives increased leadership to this Nation's participation in the international sharing of knowledge, abilities, and techniques.

Viewed in its broadest aspects, I believe history will regard the combined efforts to share our agricultural knowledge with other countries as one of the stirring chapters in this Nation's consistent and many-fold record of contributions to peace and progress in the world, and a better life for all its people.

Investments in Better Rural Living

In view of ample evidence that communists have taken advantage of and used for their own devious purposes the economic unrest existing among farming people in some rural areas of the world, we believe it is to our own Nation's interest as well as in the interest of the world's political and economic stability to work for improvement of rural living conditions everywhere, and to encourage land tenure policies favorable to the democratic ideals of human justice and dignity of the individual.

In that light, the FAO Council took a significant step at its eleventh session in Washington, D. C. in November by instructing the Director-General to report in future years on the social as well as the economic aspects of agriculture, giving more attention to such subjects as improvement of rural life, land reform and rural social security, including rural health, and the unfavorable aspects of rural life such as factors which stand in the way of rural improvement, and the lack of balance between the quantity of agricultural manpower available and the opportunities for agricultural employment.

By comparative standards, we have much to be proud of in that field of better rural living in our own Nation. But we also have much that can and should be improved.

All of our Nation's farm programs contribute toward that goal of better rural living, although some serve that purpose more directly than others.

Our farm credit programs, encouraging farm ownership by the families working the soil, continue as a valuable aid to better rural living.

Our work in home economics serves that end.

Our REA and rural telephone programs are significant marks of progress.

The Government's new program of loans to farm owners for construction of farm houses and farm buildings, ending its first year of operations during 1950, is another link in that chain of social advancement for rural America.

All of these and our many other investments in better rural living are paying economic as well as social dividends; they are more than justifying themselves in strengthening agriculture and strengthening our Nation's economy.

Perhaps, the reason is best expressed in this statement in the President's economic report to the present Congress:

> "Our human resources are our main economic strength. When we finally win in the contest between freedom and slavery, it will not be primarily because of our superior technology. It will be primarily because we value human beings, and because the free man can outproduce the oppressed man."

Because I believe so deeply in that same concept, I am convinced that we can best safeguard and preserve agriculture's strength in this country by protecting the well-being of its human resources -- the farm families, and our traditional pattern of family farming.

Family farming is a concept of rural living, and a concept of national democracy, that has long been recognized and encouraged by the Congress. The roots of family farming in the United States are as old and sturdy as the Nation itself. The pattern of land ownership was developed deliberately in this country along the lines of individual ownership and operation of the land, without encumbrances on selling or bequeathing to the next generation of the family.

There is more than moral justification for preserving family farming as part of a desirable democratic pattern of land occupancy. There is economic justification, too, based on the fact that production increases as security of tenure increases, culminating in the maximum of production when ownership is achieved. Moreover, ownership has historically brought improved stewardship of the soil and water resources through sound attendance to conservation.

The Government's investment in helping tenants, sharecroppers, and farm laborers ascend the ladder to farm ownership have paid dividends not only in better rural living, but in more production to benefit the rest of our economy. It has meant fuller utilization of human and land resources.

Records of the Farmers Home Administration farm ownership program illustrate that point. National surveys completed last year showed decided gains in borrowers' incomes, operating capital, and net worth. Studies of improved farming practices indicate that most families were rapidly adopting more efficient methods. As owners, under supervised credit programs, they are producing more than they did as tenants -- and producing more efficiently.

Surveying the progress of farm ownership borrowers who at the end of 1949 had had their loans five years, FHA learned that the average value of all products produced per acre by these borrowers was $30.91. The average for the same group before embarking upon the ownership program in 1943 and 1944, with prices adjusted to a comparable basis, was $22.29. The increase is 39 percent.

A study made on all families paying off their FHA operating loans and remaining on farms last year shows an average increase in value of production of 46 percent in terms of 1949 prices over the year before receiving their loans.

A similar study of production gains resulting from water facilities loans, recording progress from the time of entering the program until the borrower left the active category, shows that, over an average period of four years, participating family farmers increased milk production 17 percent, kept 35 percent more beef cows, boosted pig production 61 percent, and increased egg production 11 percent per farm reporting. The same comparisons showed a remarkable increase of 132 percent in production of corn per acre by farmers with loans for irrigation.

Now, perhaps more than ever before, agriculture is being put to test to meet the Nation's expanding needs for production. We know we must make the best use of all our resources. Our hope for expanding production rests with increasing the efficiency of all farmers and all farming units, but more particularly among smaller farming units now producing less efficiently than is possible.

Our necessary increases in production must be attained as efficiently as possible, and must be accomplished with a minimum drain on scarce items. A decision as to where and how needed agricultural production can best be achieved depends largely upon what farms can increase production most with currently available labor, and with limited supplies of materials.

In times of stress, as during a war, the family farm on which labor needs and labor supply are in the best balance has been found to weather the storm and keep up production more successfully than any other type of farm.

In large-scale farming, as in any larger industrial operation, labor becomes a limiting factor during an emergency. The larger or corporate farmer has no labor reserve. Such farms depend principally upon hired labor, and any substantial increase in production would require the use of additional labor that may not be readily available.

The situation is different on most family farms, where the family is the principal source of labor. The family farmer has, within his own family household, a reserve not only to expand the scale of his total operations but to intensify his production of war-essential commodities not adapted to large-scale production. In an emergency, manpower on family farms can be stretched considerably by increased participation of the old and the young and of women in certain farm operations. Consequently, the recruitment of scarce manpower is less of a critical problem in increasing production on family farms than on large-scale farms.

We know that to be true from recent experience. During World War II, the family-type farmer who was able to make full utilization of his manpower and land resources achieved a production increase considerably larger than that made by the average of all farmers in the Nation. The family farmer's extra production was achieved largely with his own family's labor. Many small farmers offer a production reserve of labor resources that is under-utilized now, while other areas of our economy often experience labor shortages.

Because the great bulk of the farms in the United States are family farms, increased production for defense will rest largely in their hands regardless of the manpower situation. Fortunately, the Nation has few security assets greater than the ability of the small farmer to deliver a production increase in specific commodities when needed. Opportunities to increase production are greatest on such farms. Many of them are not now producing to capacity. Many have not yet been able to take fullest advantage of new and improved methods, either because they do not know about them, or because they do not feel they are in a financial position to do so. If technical assistance can be made more effective and provision made for adequate financing, family farms are in a position to increase substantially their contribution to the defense with a minimum drain upon manpower.

It seems a fair conclusion that during this period of mobilization, the well-operated family farm offers our greatest hope of achieving the production we need. For that reason, it is the target toward which we must aim in making the wisest, most efficient use of critical materials such as copper, steel, and chemicals. Placed in the hands of such farmers, the tools of production will be used constantly and conserved carefully, for the well-operated family farm can be depended upon in good weather or bad, famine or plenty, war or peace.

Because the family farm is the center of the goal for improving agriculture in either peace or in war, the Department is reviewing its programs to be sure that they are serving that type of agriculture.

The prominence of family farming in our system must also necessarily be a guide to our organization for administering farm programs. To get the maximum return for each dollar invested in agricultural programs, we must aim our programs at serving the family farm.

That is exactly what we are trying to do.

What we are after is a complete reappraisal of how well we are protecting and preserving the traditional American system of family farming that has contributed so much to our democracy, and what more can be done, either within existing legislation or through new legislation, to improve opportunities for family farming and farm family living to make a full contribution to the defense effort.

Our family farm policy review is a practical, realistic undertaking geared directly and definitely to both our immediate and future mobilization efforts. We are going to get right down to brass tacks to see just where American agriculture can do a better job -- at a time when we very urgently need the most efficient use of all our resources. And we are going to see where we in the Department of Agriculture can help farmers do that better job.

The Department is not undertaking this comprehensive study alone. We are asking for the cooperation and active participation of the Land-Grant Colleges, as well as the major farm organizations, church groups, and other public institutions concerned with agriculture.

Our effort to unite on a definite, vigorous program to strengthen family farming in America is well under way.

In facing mobilization's many challenges, we need a searching look at ourselves and the way we are headed -- our farm practices, our farm programs, and our farm legislation. That is what we have undertaken.

The American family farm pattern is one of the Nation's main exhibits in the world struggle for men's minds, and one of the examples we hold out for all the world to see.

In an address a few months ago to a United Nations' committee considering land reform and farm development, Senator John J. Sparkman as the United States delegate declared:

"In the United States we believe strongly in farm ownership, individual farm ownership. We believe that the land that a man and his family works and on which they make a living ought to belong to him and to his family. It is that objective toward which we have been working during the last many years, and it is that same kind of a program or a similar program that we envisage may very well be encouraged by this General Assembly and by this Committee, and might very well be undertaken in many parts of the world."

That, it seems to me, is an accurate and challenging statement of a basic belief of the people of this country.

We seek an extension of our own benefits and advantages to the rural populations elsewhere who need and want them, and one of our main means of achieving that extension is by making sure that our product is the best possible one. In short, we must hold the mirror up to ourselves, before we urge others to view the American family farm picture.

Our Family Farm Policy Review can thus become the foundation for solidly building agriculture's maximum contribution to our Nation's defense and security, material as well as moral.

Management Improvement

Government does not operate on a profit motive, but the need for management improvement research in Government is as great as in industry, since we must use our money just as wisely.

Our Department has an active program for improving its organization and management. Since 1944 it has had a plan known as the Management Improvement and Manpower Utilization Program, and its objectives are to reduce costs, save manpower, simplify procedures, save materials, expedite operations and improve organization.

The effect of the whole Department program has been and continues to be to open and widen channels leading to management improvement, to develop and maintain a high degree of vigor in the search for management improvement, and to overcome any spirit of defeatism on the part of employees or management in any contest with red tape, whether imposed by the Congress, administrative agencies, the Department, or a bureau or a supervisor.

In its simplest terms, good management means doing the job assigned to us in the best possible way. It means doing that job with a minimum of cost in dollars and manpower -- provided, however, we do not thereby sacrifice the effectiveness of the job that we are given to do.

I believe we must not get bogged down into such concern over inner-administrative functioning that we lose our perspective and fail to see clearly the real job that is ours to do -- the service that we were designated to perform.

It is good management to carry out the programs authorized by the Congress in the most efficient manner possible, and at a minimum of cost. It is not "efficiency," however, to so cripple our administrative functioning in the name of economy that the very effectiveness of the program itself must suffer.

The end objective must always be kept in sight.

A good organization must not be static; we need continuing review from within and appraisal from the outside.

If our work is not adapted to the needs of our times, no amount of good management will make it suffice.

For that reason I believe it is the responsibility of Government administrators to recommend changes when they believe a new course would both improve effectiveness of a program, and make it much simpler and less costly to administer.

For good management calls for a maximum in program results, as well as a minimum in program costs.

Charles F. Brannan

Secretary of Agriculture